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C O N F I D E N T I A L SECTION 01 OF 02 ACCRA 000497

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FOR AF/RSA DANIEL EPSTEIN

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SUBJECT: CHINESE INFLUENCE IN GHANA - AN UPDATE

REF: A) STATE 024937 B) BEIJING 679 C) 04 ACCRA 621

Classified By: POLCHIEF SCOTT TICKNOR FOR REASONS 1.4 (B) AND (D)

11. (U) Summary: Chinese involvement in Ghana, dating from the establishment of diplomatic relations in 1960, is strong and growing. After independence, President Kwame Nkrumah sought close ties with China, a relationship that continued throughout the Rawlings years. The bilateral friendship became more guarded after President Kufuor was elected in 2000, yet China and Ghana continue to interact across a wide spectrum of activities. In particular, economic and commercial ties are growing. Ironically, Ghana reportedly contracted with China to supply a special "Ghana at 50" fabric for the Jubilee celebrations next week. As requested ref A, following is a summary of Chinese activities in Ghana and potential areas for future U.S.-Chinese dialogue and cooperation in Ghana. End summary.

#### Diplomatic, Political, and Military Activities

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12. (SBU) The Chinese maintain a medium-sized mission in Accra. Perhaps due to their policy of non-interference in the internal affairs of other countries, the Chinese tend to focus their efforts on the economic and commercial front. They support Ghana's participation in various African peacekeeping missions, including a \$1.2 million grant for the purchase of vehicles used in such operations. Ghana has just taken delivery of two Chinese K8 Fighter jets; two more will be delivered later. The Chinese have also rehabilitated military barracks in Accra, built an administrative building for the Ministry of Defense on the military base in Accra, and donated ammunition for Ghana's Soviet-era equipment. China hosts training for Ghanaian military personnel but Ghana prefers the military training offered by the United States. The GOG has, for example, requested that the U.S. provide training for the pilots who will fly the K8 fighters. The Ghana-China Friendship Association was launched in 2002 but because the ruling New Patriotic Party (NPP) had close ties with Taiwan prior to coming to power in 2000, a degree of reserve in Chinese-Ghanaian relations followed President Kufuor's election. Nevertheless, Kufuor hosted a visit by Chinese Premier Wen Jiabao in June 2006 and joined representatives of 48 other African nations in attending a Chinese summit in November 2006 that was designed to chart a roadmap for cooperation between China and Africa for the period 2007-09. During this summit, Kufuor was reportedly very favorably impressed with China's offers of new loans and assistance. Since the summit, there have been a series of follow-up visits between the GOG and China to work on deals discussed during the summit.

## Economic and Commercial Activities

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13. (SBU) China's general economic and commercial engagement in Africa (ref b) is evident in Ghana. For example, China has become Ghana's second-largest trading partner after Nigeria, with two-way trade increasing in 2005 to \$769 million, up 30% over the previous year. Ghana exported timber, cocoa, scrap metal, wood products, salt, and fish products valued at \$79 million, a sum dwarfed by \$690 million of Chinese imports into Ghana, primarily light manufactured goods, chemicals, and low-cost clothing. The clothing imports are controversial since many Ghanaians believe that the importation of items such as faux kente cloth have damaged the domestic textile industry. Nevertheless, Ghana's desire to cultivate closer relations with China was further evidenced by its decision to give China the contract to print the special "Ghana at 50" cloth for next week's Jubilee celebrations.

14. (SBU) China has offered Ghana financing for a number of high profile projects, most notably a \$600 million loan to finance construction of a 400-megawatt dam at Bui on concessional terms yet to be finalized. Other infrastructure loans said to be in the works include \$70 million to expand rural telephone service, \$30 million to complete a fiber optic grid, and additional funding for tilapia fish farms, fishing piers, and cold storage facilities. In addition, the Chinese are discussing the possibility of building a 140-200 megawatt power plant; executives from Shenzhen Energy Group have traveled to Ghana twice in the past six months. Consequently, total new borrowing from China could exceed \$1 billion. (Comment: These projects will address some of

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Ghana's major development challenges but they may not be the best choices over the long term. Though concessional, these deals would add to Ghana's debt and a cost/benefit analysis of these specific projects compared to other options has not, to our knowledge, been done. End Comment.) China also provides grant and in-kind assistance, such as building a large youth center in Kumasi and renovating the National Theatre. These projects, typically employing hundreds of Chinese contractors and using imported Chinese materials, have generated a good deal of positive publicity for the Chinese government.

15. (C) China competes aggressively with the U.S. and others for deals with the GOG, often to the frustration of U.S. businesses. Because China is not bound by the OECD Export Credit Agency agreement nor international norms concerning labor rights, environmental protection, and corruption, the playing field is not level. Exacerbating the situation is Ghana's own tradition of cronyism and lack of transparency in procurement. The Procurement Act has loopholes allowing for sole source contracting and the acceptance of unsolicited offers that are fully financed. For example, after two years of negotiations, Motorola recently lost out to a last-minute Chinese offer to provide radios to the police, ostensibly because the Chinese financing package was more attractive, despite the fact that China's EXIM bank had not committed to the project. Chinese nationals are also widely believed to be involved in illegal logging and fishing. China was unsuccessful, however, in its attempt to maneuver around ALCOA and purchase raw Ghanaian bauxite.

## Chinese Activities in Health

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16. (SBU) China is planning to send medical teams to Ghana to perform research and combat infectious diseases. China has also donated some mosquito nets but has not, to date, been involved with other donors in planning or coordination. The Chinese did not participate in the multi-donor task forces on

avian flu or malaria and did not respond to an Embassy request for information on activities to help inform the USG as it prepares to implement the President's Malaria Initiative.

#### Potential US-Chinese Cooperation

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¶17. (C) U.S. assistance tends to focus on policy reform, capacity building, health, and humanitarian work, while the Chinese prefer to invest in splashier projects, such as roads and buildings. This division of labor could be complementary but China tends to keep its plans close-hold and has not traditionally participated in donor coordination meetings. This may be about to change. The Heads of Mission (HOM) in Accra recently invited China (and India) to consider participating in monthly HOM meetings. China's COM welcomed the idea and said China would attend the next meeting on April 5, where HOM's will discuss resources employed, results, and harmonization of efforts in support of Ghana's development. It remains to be seen whether China's participation will be permanent, and if so, whether it will lead to greater transparency or will simply provide China with more information it can use to pursue its own interests more effectively. Unfortunately, those interests may not be in accord with ours, nor will they necessarily redound to Ghana's long-term benefit.

¶18. (C) Areas of potential cooperation with the Chinese include health issues and some elements of the MCA Compact, such as infrastructure improvements and agricultural development. As a developing nation with millions of small farm plots, China is in a good position to work in a complementary manner with us in increasing yields and helping farmers to improve their standard of living. Their willingness to work with us in these areas is less certain. Nevertheless, we recommend continuing a dialogue with the Chinese in hopes of leveraging our programs and moving the Chinese incrementally toward greater support of our efforts to promote transparency, the rule of law, and respect for human rights in Ghana.

BRIDGEWATER